

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** March 12, 2009  
**POSITION:** Neutral, note concerns

**BILL NUMBER:** SB 14  
**AUTHOR:** J. Simitian  
**RELATED BILLS:** AB 1016

### **BILL SUMMARY:** Public Utilities Commission: Renewable Energy Rates

Existing law states legislative intent that investor-owned utilities (IOU) procure, and provide for retail sale, 20 percent of their electricity from renewable sources, such as wind, solar, and geothermal by December 31, 2010. This goal is known as the Renewables Portfolio Standard (RPS).

This bill would declare that in addition to the stated December 2010 goal, IOU's would be required to procure and provide for retail sale 33 percent of their electricity from renewable energy sources by December 31, 2020. Additionally, the bill would require energy service providers and publicly-owned utilities to increase their procurement of renewable energy to 33 percent by December 31, 2020.

The bill would require the Public Utilities Commission (PUC) to approve an application for a certificate of public convenience and necessity within one year of the filing of a completed application, and authorize rate increases necessary for electrical corporations to recover certain transmission infrastructure costs.

The bill would authorize or expand specified regulatory responsibilities and oversight functions of both the PUC and the California Energy Commission. Lastly, the bill would state legislative intent to appropriate \$3.7 million Public Interest Energy Research, Development, and Demonstration Fund (PIER) for the Department of Fish and Game (DFG) or other wildlife agencies to prepare natural communities conservation plans in the Mojave and Colorado Desert regions to facilitate the development of solar energy in those regions.

### **FISCAL SUMMARY**

The bill would result in increased workload costs for the PUC and the Energy Commission. The PUC would incur approximately \$559,000 PUC Utilities Reimbursement Account (PUCURA) in costs and require five additional positions to implement the bill. The Energy Commission would require \$1.7 million energy Resources Programs Account (ERPA) and eight positions. These costs would result from increased staffing and workload requirements for transmission and siting work, rate structuring, procurement process restructuring, and the conduct of proceedings.

No estimate is available of the costs to ratepayers to achieve a 33 percent RPS. However, the PUC has provided a rough estimate that the cost to achieve a 20 percent RPS in California, compared to conventional generation, will be about \$760 million annually.

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Analyst/Principal (0621) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

J. Simitian

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**COMMENTS**

The Department of Finance (Finance) recommends a position of Neutral, note concerns. The policy objective of this bill (i.e., 33 percent RPS by December 31, 2020) is consistent with the Governor's Executive Order EO S-14-08. While it is generally agreed that no IOU will achieve the current RPS goal of 20 percent by 2010, it is anticipated that the goal will be achieved by 2013. The RPS goals will yield improved air quality and reduce the state's reliance on fossil fuels, and are consistent with the goals of the California Global Warming Solutions Act of 2006 (AB 32).

Finance does note concern that the increased RPS goal will result in increased costs to the PUC and the Energy Commission beyond those proposed by the Administration, but not included in the current 2009-10 Budget Act. Such increased costs could translate to utility rate increases at a time when household and corporate economies are struggling.

The 2009-10 Governor's Budget proposed several augmentations related to the RPS. These included:

1. A PUC proposal to implement a 33 percent RPS by 2020 (\$322,000 PUCURA, and 2.9 PY).
2. An Energy Commission proposal to coordinate and conduct environmental work on siting and development of renewable energy generation and transmission projects (\$2.6 million ERPA and 9.5 PY).
3. A DFG proposal to develop an interim conservation strategy for the Colorado and Mojave deserts relative to siting renewable energy projects. The DFG would be reimbursed for these activities by the Energy Commission (\$3.1 million PIER and 20.9 PY).

The 2009-10 Budget Act does not include funding for these proposals as they were removed without prejudice from the final budget package. The Legislature intends to consider these items during budget subcommittee hearings over the next few months. However, and notwithstanding the ultimate disposition of these funding proposals, SB 14 will result in increased workload and additional associated costs for both the PUC and the Energy Commission.

Additional costs for the Energy Commission would be approximately \$1.7 million ERPA and 8 PY for transmission and siting work, enforcement, and related legal workload. Costs would be ongoing and above those proposed in the 2009-10 Governor's Budget proposal noted above.

Finance would note that should the Legislature appropriate funding for the DFG to prepare natural communities conservation plans, the Energy Commission likely would require corresponding resources to assist the DFG. The bill provides legislative intent to appropriate \$3.7 million for DFG to conduct this work. This is somewhat consistent with the funding proposed in the Governor's Budget and Finance assumes that the workload resulting from this bill would be consistent with our proposal.

Costs for the PUC would be approximately \$559,000 PUCURA and 5 PY. This would include staffing to meet the one-year deadline for permitting transmission lines and processing more complex applications due to the 33 percent RPS requirement. Additionally, staff would be necessary to address design and implementation issues such as:

- Identifying the least-cost best-fit renewable resources required to meet the higher RPS.
- Analyzing the cost and rate impact of a 33 percent RPS.
- Restructuring the state's procurement and transmission planning process to ensure that a higher RPS is achieved in the most efficient and effective fashion.

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**COMMENTS** (continued)

The PUC's costs would represent an increase of \$237,000 and an additional two positions above those proposed in the Governor's Budget as noted above.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
3360/Energy Comm	SO	No		--	C	\$4,288	C	\$4,000	0465
3600/Dept FishGam	SO	No		--	C	\$3,700	C	\$3,700	0995
8660/PUC	SO	No		--	C	\$559	C	\$559	0462

<u>Fund Code</u>	<u>Title</u>
0462	Publ Utilities Comm Utilities Reimb Acct
0465	Energy Resources Programs Account
0995	Reimbursements